



CONSUMER CREDIT INDUSTRY ASSOCIATION

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Ms. Jennifer J. Johnson, Secretary,  
Board of Governors of the Federal Reserve System,  
20th Street and Constitution Avenue, N.W.,  
Washington, DC 20551.

<http://www.federalreserve.gov>.

<http://www.federalreserve.gov/generalinfo/foia/ProposedRegs.cfm>.

<http://www.regulations.gov>.

E-mail: [regs.comments@federalreserve.gov](mailto:regs.comments@federalreserve.gov).

**RE:** Docket No. R- 1417 and RIN  
No. AD 7100 AD 75,

Dear Ms Johnson:

The Consumer Credit Industry Association (“CCIA”) is a national trade association of insurance companies and other financial service providers selling or servicing credit protection products typically provided in connection with consumer credit transactions. Our members administer approximately 85% of the credit insurance and debt cancellation programs in the United States. Since incorporation in 1951 as an Illinois Not-For-Profit corporation, CCIA has been dedicated to preserving and enhancing the availability, utility, and integrity of credit protection products delivered in connection with financial transactions.

The Board proposes to revise Section 226.32 (b) (iv) to reflect the changes under Section 1414 of the Dodd-Frank Act. Section 1414 of Dodd Frank prohibits financing single premium credit insurance or single fee debt cancellation and debt suspension in connection with any residential mortgage loan secured by the principal dwelling of the consumer. However, there are several exceptions to that prohibition (See Sections 1414 d (1) and (2))<sup>1</sup>. Our comments are to assure that the Board’s proposed Rules parallel but do not expand or confuse that prohibition and incorporate the exclusions to the prohibition noted. Additionally, we are writing in response to the Board’s requests at page 27405 for “comment on the proposal to implement the statutory provision that includes *upfront* premiums and charges for credit insurance and debt cancellation

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<sup>1</sup> Dodd Frank Section 1414

“(d) SINGLE PREMIUM CREDIT INSURANCE PROHIBITED.—No creditor may finance, directly or indirectly, in connection with any residential mortgage loan or with any extension of credit under an open end consumer credit plan secured by the principal dwelling of the consumer, any credit life, credit disability, credit unemployment, or credit property insurance, or any other accident, loss of- income, life, or health insurance, or any payments directly or indirectly for any debt cancellation or suspension agreement or contract, except that—

“(1) insurance premiums or debt cancellation or suspension fees calculated and paid in full on a monthly basis shall not be considered financed by the creditor; and

“(2) this subsection shall not apply to credit unemployment insurance for which the unemployment insurance premiums are reasonable, the creditor receives no direct or indirect compensation in connection with the unemployment insurance premiums, and the unemployment insurance premiums are paid pursuant to another insurance contract and not paid to an affiliate of the creditor.

and suspension coverage in the definition of “points and fees” As noted in our comments, we believe that the term “upfront” is inappropriate as undefined and ambiguous.

1. We note that there are several phrases used in the proposed rule that are not defined. We do not see a definition for “upfront” or “assessed upfront” as used throughout the proposal and particularly in connection with the terms: ‘Private Mortgage insurance premiums,’ ‘Mortgage Fees’ and ‘other premiums and charges for credit insurance and debt cancellation and suspension coverage.’ Since these terms “upfront” or “assessed upfront” are not used in Dodd-Frank or in Regulation Z, we would urge the Board to delete them from use. Alternately, we recommend that the Board use consistent terminology as found in Dodd-Frank such as “paid at or before closing.”
2. As set forth in the footnote above, the prohibition on single premium and single fee debt cancellation and debt suspension products, is limited to specific loans. We urge the Board not to create unintended expansion. To minimize that risk, we recommend that the Board mimic the language as limited to those loans stated. *“No creditor may finance, directly or indirectly, in connection with any residential mortgage loan or with any extension of credit under an open end consumer credit plan secured by the principal dwelling of the consumer”* (emphasis added). We refer the Board to the definition of Residential Mortgage Loan in TILA Section 1401. In several sections, the Board appears to confuse the definition with “mortgage related obligation” (or “mortgage-related obligation”). We understand that term to refer to the amount calculated to determine the consumer’s payment ability, and not the type of loan itself. Therefore, we respectfully request that the Board clarify its use of the term “mortgage related obligation” or (“mortgage-related obligation”) to the **amounts** and not the loan **type**. We would request that for consistency, the Board should select a reference with or without the hyphen and not use both.
3. Debt Cancellation, debt suspension fees and credit insurance premiums billed monthly are not considered financed. We refer you to the Dodd Frank Act, Section 1414 (d) (1) “insurance premiums or debt cancellation or suspension fees calculated and paid in full on a monthly basis shall not be considered financed by the creditor.” We would like the Board to clarify that the credit insurance premiums, or debt suspension fees calculated and paid in full on a monthly basis will not be considered financed and not included in any Board definition whether in the continued use of the term “upfront” or “paid at or before closing”.
4. We agree with the Board that there is a distinction in insurance premiums and debt suspension or debt cancellation fees that are optional or voluntary versus those that are required by the lender<sup>2</sup>. It appears unclear in some sections of the commentary, whether the Board desires to limit or change the treatment of these products. Therefore, we would ask that the Board clarify this distinction to assure that there is no mistreatment or miscalculation of the voluntary products that the consumer agrees to purchase. The voluntary nature of the products should not change them to be viewed as charges that are payable “upfront” or “at or before closing.” As noted, monthly billed credit insurance premiums and charges for debt cancellation and debt suspension fees are not payable at or before closing. Therefore, whether the product is voluntary or required should not change that fact.

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<sup>2</sup> Proposed comment 32(b)(1)(i)-4 relative to exclusions from “points and fees” under 226.32(b) (1)(i)(B)(2)

5. The proposal states at page 27405 that “The proposal revises current comment 32(b)(1)(iv)-1 to clarify that upfront charges for debt cancellation or suspension agreements or contracts are expressly included in points and fees. Another proposed revision clarifies that upfront credit insurance premiums and debt cancellation or suspension charges must be included in “points and fees” regardless of whether the insurance or coverage is optional or **voluntary** (emphasis added).” We object to the Board’s use of the term voluntary. We believe that the Board may mean “required.” Required charges have always had additional disclosures and calculation than voluntary fee amounts. Therefore, we would like the Board to correct this terminology.
6. CCIA supports the clarification that the creditor need not include premiums for mortgage-related insurance that it does not require in calculating “mortgage-related obligations” as used in the repayment ability analysis. This helps clarify our points above including:
  - a. That there is a distinction in the treatment of voluntary versus required that should continue to be recognized; and
  - b. That the Board should clearly identify the use of the term “mortgage related obligation” (or “mortgage-related obligations”) as used in the repayment ability analysis, versus the term “Residential Mortgage Loan” as a loan type. For consistency, the Board should select a reference either with or without the hyphen but not both.
7. We seek clarification of the language proposed for Comment 1 to Paragraph 32(b)(1)(iv). At page 27489, we find the language below. We would like to see clarification that “monthly outstanding balance” premiums and fees are not part of the “points and fees” definition. MOB fees are never paid “at or before closing” and are never financed, and therefore fall outside the scope of the definition. As such, we request that the Comment be revised as follows. In the paragraph below, we retained the Boards insert and deletion references. However, for clarity, CCIA will refer to new language to be added by use of underlining and language to be deleted with a strike through.

***32(b)(1)(iv) Credit Insurance and Debt Cancellation or Suspension Coverage***  
*See TILA Section 103(aa)(4)(D).*

*Paragraph 32(b)(1)(iv).*

“1. ► ***Credit insurance and debt cancellation or suspension coverage*** ◀ ***[Premium amount]. In determining “points and fees”*** for purposes of this section, single premiums paid at or before closing for credit insurance or ► any debt cancellation or suspension agreement or contract◀ are included ► in “points and fees” if they are paid at or before closing, ◀ whether they are paid in cash or financed, ► and whether the insurance or coverage is optional or required. ~~Such charges are also included◀ [and] whether the amount represents the entire premium or payment for the coverage or an initial payment.~~ This section does not apply to any product(s) authorized in Dodd-Frank Section 1414. Credit insurance premiums or debt cancellation or suspension fees calculated and paid in full on a monthly basis shall not be considered financed by the creditor.”

8. At Pages 27481 and 27489, we find the following language which appears to be the current language. For the reasons stated above, we believe that the additional changes noted below are required to the language proposed on those pages.

“226.32 (b)(3) (iv) Premiums or other charges payable at or before closing of the mortgage loan for any credit life, credit disability, credit unemployment, or credit property insurance, or any other life, accident, health, or loss-of-income insurance, or any payments directly or indirectly for any debt cancellation or suspension agreement or contract. This section does not apply to any product(s) authorized in Dodd-Frank Section 1414. Credit insurance premiums or debt cancellation or suspension fees calculated and paid in full on a monthly basis shall not be considered financed by the creditor.”

~~[Premiums or other charges for credit life, accident, health, or loss-of-income insurance, or debt-cancellation coverage (whether or not the debt-cancellation coverage is insurance under applicable law) that provides for cancellation of all or part of the consumer's liability in the event of the loss of life, health, or income or in the case of accident, written in connection with the credit transaction.]~~

Thank you for your time and consideration in this matter. We would be happy to provide any additional information or input in crafting language as appropriate. Please feel free to contact us if you have any questions.

Respectfully Submitted,



Scott J. Cipinko